

Message Text

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ACTION PM-05

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C O N F I D E N T I A L AMMAN 4122

E.O. 11652: GDS
TAGS: MASS, JO, US
SUBJECT: JORDANIAN FMS FINANCING OBLIGATIONS

REF: A) STATE 098316, B) AMMAN 3168, C) AMMAN 1351

1. THIS MESSAGE RESPONDS TO STATE 098316 WHICH REQUESTED CLARIFICATION OF CERTAIN POINTS BEFORE ATTEMPTING TO LIFT THIRD PARTY OBLIGOR CONDITION TO RELEASE FY 77 FMS FINANCING TO JORDAN.

2. FOLLOWING ANSWERS TO QUESTIONS POSED IN PARA 2, YEF A:

A. DOES GOJ UNDERSTAND TOTALITY OF FMS FINANCING OBLIGATIONS?
EMBASSY BELIEVES THAT GOJ DOES UNDERSTAND THIS. FMS FINANCING OBLIGATIONS HAVE BEEN DISCUSSED IN DETAIL BY EMBASSY WITH GOJ. DCM RECENTLY REVIEWED THESE WITH FINANCE MINISTER AND GAVE HIM A LIST OF PAYMENTS DUE IN 1977 FOR ALL FMS CREDITS. FINANCE MINISTER INDICATED HE WAS AWARE OF THESE. FINANCING OBLIGATIONS HAVE ALSO BEEN DISCUSSED AT LENGTH BY AMBASSADOR WITH JORDAN ARMED FORCES (JAF) COMMANDER IN CHIEF, AND BY CHIEF MAP WITH JAF ASST CH OF STAFF FOR OPERATIONS (GEN MAJALI) ON SEVERAL OCCASIONS.

B. HOW DOES GOJ PLAN TO APPLY HOPED FOR BALANCE OF \$141
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MILLION FROM SAG TOWARDS FMS REPAYMENTS?
BALANCE OF \$141 MILLION TO BE APPLIED AS SHOWN IN PARA 5,
REF C. THIS IS THE SCHEDULE OF PAYMENTS AGREED UPON BETWEEN JORDAN AND SAUDI ARABIA AND WHICH, ACCORDING TO GEN MAJALI, WAS DRAWN UP TO PERMIT TIMELY PAYMENT OF THE 1976 AND 1977 FMS CREDITS, WITH SAUDI PAYMENTS DUE TO JORDAN ON THE 1ST DAY OF THE MONTHS (MAY AND NOVEMBER) IN WHICH PAYMENTS TO THE

US ARE SCHEDULED THROUGH 1985, AND A SINGLE PAYMENT ON 1 MAY 1986. THIS LEAVES \$7.5 MILLION NOT COVERED BY THE SAUDI-JORDANIAN AGREEMENT; GOJ BELIEVES THAT A SUBSTANTIAL PART OF THIS \$7.5 MILLION CANBE GAINED BY GOJ THROUGH INTEREST IN ACCOUNT IN JORDANIAN CENTRAL BANK ON THE SAUDI MONEY, BETWEEN THE TIME IT IS PAID TO JORDAN, AND THE DATES ON WHICH PAYMENTS ARE DUE TO THE U.S. (SAUDI PAYMENTS ARE DUE ON THE FIRST OF THE MONTH AND JORDANIAN PAYMENTS TO THE US ARE DUE ON THE 30TH OF THE SAME MONTH.) EMBASSY, HOWEVER, DOES NOT CONCUR IN THIS VIEW AND SUGGESTS DEPARTMENT INSIST ON FIRM THIRD PARTY BACKING FOR REPAYMENT OF REMAINING \$7.5 MILLION PRIOR TO AUTHORIZATION OF RELEASE OF THIS \$7.5 MILLION.

C. WHAT ARRANGEMENT IS GOJ WILLING TO MAKE TO ENSURE THAT CONTEMPLATED \$141 MILLION RECEIVED FROM SAG WILL BE RESERVED AND APPLIED TO PAYMENTS ON FMS CREDITS AS PLANNED?

JAF HAS APPRISED THE JORDANIAN CENTRAL BANK OF THE EXPECTED SAUDI PAYMENTS, THE DATES PAYMENTS ARE DUE THE U.S. AND HAS INSTRUCTED THE BANK TO PAY US WITH THE MONEY RECEIVED. WHILE NOT AS AIRTIGHT AS AN ESCROW ACCOUNT, EMBASSY BELIEVES IT SHOULD SUFFICE. GEN MAJALI HAS FURNISHED EMBASSY WITH A COPY OF A LETTER OF INSTRUCTIONS TO THE HEAD OF THE JORDANIAN CENTRAL BANK (EMB WILL POUCH COPY) WHICH READS (IN TRANSLATION) AS FOLLOWS:

BEGIN TEXT:

QUOTE 1. THIS IS TO INFORM YOU THAT THE SAUDI AUTHORITIES WILL PAY THE SUM OF (150) ONE HUNDRED AND FIFTY MILLION DOLLARS WHICH IS TO BE PAID TO THE AMERICAN FEDERAL BANK AS CONFIDENTIAL

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PAYMENT OF THE AMERICAN LOAN INSTALLMENTS FOR THE YEARS 1976/1977 ACCORDING TO THE ATTACHED SCHEDULE (NOTE: SAME AS PARA 5, REF C).

2. FOR YOUR INFORMATION AND ACTION IN ACCORDANCE WITH THE DATES SHOWN AGAINST EACH PAYMENT, AND NOTIFY US (WHEN PAYMENTS ARE MADE).

ABD AL-HADI MAJALI UNQUOTE END TEXT.

D. HAS GOJ MADE PROVISIONS FOR PAYMENT OF PRINCIPAL AND INTEREST DUE ON FY 69, 71, AND 72 AGREEMENTS FROM ITS OWN RESOURCES?

EMBASSY HAS BEEN ASSURED THAT PROVISION HAS BEEN MADE FOR THESE AS PART OF THE NORMAL FISCAL OBLIGATIONS WHICH JORDAN OWES, AND FROM ITS OWN RESOURCES. JORDAN HAS MADE THESE PAYMENTS ON ITS OWN ACCOUNT AND HAS MET THE TIME DEADLINES. THEY ARE NOT PART OF THE THIRD PARTY GUARANTEE ARRANGEMENTS.

E. DOES GOJ INTEND TO PAY INTEREST ON FY 75, 76 AND 77 (IF RELEASED) AGREEMENTS FROM ITS OWN RESOURCES?

ALTHOUGH GEN MAJALI TELLS US THAT INTEREST ON FY 75 CREDIT IS SAUDI RESPONSIBILITY, PAST HISTORY HAS INVOLVED INTEREST PAYMENT BY BOTH GOJ AND SAG AT DIFFERENT TIMES. WE SUSPECT QUESTION OF NEXT INTEREST PAYMENT REMAINS TO BE NEGOTIATED BETWEEN GOJ AND SAG. GOJ INFORMS US IT INTENDS TO PAY INTEREST ON 76 AND 77 AGREEMENTS FROM ITS OWN RESOURCES.

3. IN SUM EMBASSY BELIEVES GOJ AWARE OF ITS FMS FINANCIAL OBLIGATIONS, AND THAT IT HAS MADE FULL PLANS TO PAY THEM. WE ARE AWARE OF COURSE THAT THERE IS SOME DIFFERENCE BETWEEN JORDANIAN AND SAUDI INTERPRETATIONLOF WHAT THE \$150 MILLION IS INTENDED TO COVER (I.E., 1975 LOAN INTEREST AND PRINCIPAL) AND IN LIGHT OF THIS UNRESOLVED QUESTION WE HAVE RECOMMENDED (SEE REF B) THAT ONLY \$41 MILLION OF THE FY 77 FMS CREDIT BE RELEASED AT THIS TIME. WE STILL SUPPORT THIS RECOMMENDATION, AND BELIEVE THESE FUNDS SHOULD BE RELEASED BEFORE THE JMC MEETING IN JUNE 18.

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